

Chairman
Richard R. Terzian

Richard R. Terzian (R-Los Angeles) was originally appointed to the Little Hoover Commission by Governor George Deukmejian in May 1986. He was reappointed by Governor Pete Wilson in March 1994, and again in March 1998. Mr. Terzian is a partner in the law firm of LeBoeuf, Lamb, Greene & MacRae. He has served as Chairman of the Commission since March 1994. He also served as Vice Chairman from 1992 to 1994.

Vice Chair
Michael E. Alpert

Michael E. Alpert (D-Coronado) was appointed to the Little Hoover Commission by Assembly Speaker Willie L. Brown, Jr. in May 1994, and reappointed by the Senate Rules Committee in August 1997. He is a retired partner in the law firm of Gibson, Dunn & Crutcher, where he specialized in corporate securities. Mr. Alpert is also former Chief Deputy Commissioner of the California Department of Corporations.

State of California

LITTLE HOOVER COMMISSION

January 20, 1999

Dear Governor and Members of the Legislature:

The State of California – like most government and private organizations – is challenged by fundamental and fast-paced change. Demographic, economic and social changes are putting new demands on public programs. Advances in technology and our understanding change how the State can and should respond to these new demands. But too often, public programs, procedures and organizational structures are static – unable or unwilling to adapt.

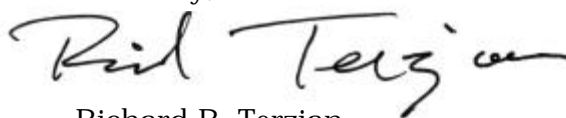
During the last two years the Little Hoover Commission has examined several policies in need of comprehensive reform: child care and child support enforcement, how schools are funded, how consumers are protected and how prisons are operated. In each of these areas, the challenges facing state agencies are growing in size, complexity and consequence. In each area, new possibilities define the horizon.

During the last two years, the Little Hoover Commission vigorously pursued bipartisan reforms in each of these areas, along with efforts to implement recommendations from earlier reports. During the 1997-98 legislative cycle, the Commission supported 81 pieces of legislation that would have implemented its recommendations. Twenty-five of these bills were signed into law, improving the State's oversight of long-term care facilities, correctional programs and other public services.

Drawing from the Commission's experience, this report also defines some common problems and universal reforms that policy makers and program managers should consider as they routinely pursue more effective government. State agencies must gather better data to understand the problems they are trying to solve and evaluate the effectiveness of their responses. The State needs to rethink its relationship with counties and other local governments in order to form more effective partnerships. And in many areas the State needs to break down the walls between its own departments to coordinate and develop more comprehensive efforts to serve citizens.

This report summarizes the Commission's efforts of the last two years and the Commission's role in improving state governance. It also re-affirms the commitment on the part of myself and my fellow Commissioners to promote the economy and efficiency of state operations.

Sincerely,



Richard R. Terzian
Chairman

Commissioner
Carl D. Covitz

Carl D. Covitz (R-Los Angeles) was appointed to the Little Hoover Commission by Governor Pete Wilson in October 1993, and reappointed in March 1996. He has been the owner and president of Landmark Capital, Inc. since 1973. Mr. Covitz served as Secretary of the California State Business, Transportation and Housing Agency from 1991 to 1993; as Chairman of the Board, Federal Home Loan Bank of San Francisco from 1989 to 1991; and as Undersecretary for the U.S. Department of Housing and Urban Development from 1987 to 1989.

Commissioner
Daniel W. Hancock

Daniel W. Hancock (D-Milpitas) was appointed to the Little Hoover Commission by Assembly Speaker Cruz Bustamante in July 1997. He has been president of Shape II Industries of Northern California since 1985. Mr. Hancock is the former director and past president of the Southern Division Building Industry Association (BIA), a former member of the boards of the National Conference of Christians and Jews and the San Ramon Library Foundation, and past chairman and founding director of the San Jose Sports Authority.



Promoting Economy & Efficiency

The Little Hoover Commission, formally known as the Milton Marks “Little Hoover” Commission on California State Government Organization and Economy, is an independent state oversight agency.

By statute the Commission is a bipartisan board composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assemblymembers. No more than five of the nine public members may be from the same political party and the legislators from each body must be of different parties. In creating the Commission in 1962, the Legislature declared its purpose:

... to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, agencies and instrumentalities, and all expenditures of public funds more directly responsive to the wishes of the people...

The Commission most often pursues its charge by looking beyond whether existing programs comply with the law to explore how policies could be realigned and programs redirected to meet the contemporary needs of Californians.

The Commission's role differs from auditors and other analysts by blending factually sound analysis and an open process for gathering expert opinion from all perspectives, with the consensus-based deliberations of the bipartisan Commission. From child care programs to the regulation of nursing homes, the Commission has consistently advocated ways the State could improve service to Californians while in the long run reducing public expenditures.

The recommendations are issued in comprehensive, informative reports. The Commission works to implement its recommendations by building coalitions, testifying at hearings and providing technical support to policy makers.

The Commission also is responsible for general oversight of the State Auditor, providing a home for this important function. The Commission also is required to review all reorganization plans proposed by the Governor.

Assemblember
Sally H avice

Assembly member Sally H. Irujo (D-Cerritos) was appointed to the Little Hoover Commission by Assembly Speaker Antonio Villaraigosa in April 1998. She was elected to the State Assembly for the 56th District in November 1996 and was re-elected in 1998. She serves as Chair of the Assembly Committee on International Trade and Development and Chair of the Select Committee on School Safety.

**Commissione
Gary H. Hunt**

Gary H. Hunt (R-Corona Del Mar) was appointed to the Little Hoover Commission by Governor Pete Wilson in March 1998. He is the executive vice president of corporate affairs and administration for The Irvine Company. He has also held appointed positions in the administrations of California Governors Pete Wilson and Ronald Reagan; the California Constitutional Revision Commission; committees and caucuses of the State Legislature; and the office of former Congressman Clair Burgener.



An Open and Informed Process

The Commission fulfills its charge by listening to the public, consulting with the experts and conferring with the wise. In the course of its investigations, the Commission empanels advisory committees, conducts public hearings and visits government operations. The Commission selects topics that come to its attention from citizens, legislators and other sources. A Subcommittee of the Commission is formed to identify key issues, provide direction to the staff and develop a draft report to be considered, modified and approved by the full Commission. To build a knowledgeable basis for its deliberation, the Commission typically employs a three-track study process:

- ★ ***First-hand Research.*** The first track involves reviewing previous research and interviewing those responsible for public programs and their clients. For instance, in the course of its correctional study, the Commission visited prisons and met with inmates, staff and wardens.
- ★ ***Consulting with Experts.*** The second track involves an advisory committee. Experts, stakeholders, legislative staff, public managers and others help to define issues and explore possibilities. The Subcommittee is often involved in this process. For the studies published during the 1997-98 period, the Commission conducted more than 20 advisory committee meetings, exploring such diverse issues as how the State regulates licensed professionals to how child care programs could better serve the needs of low-wage families struggling to remain financially independent.
- ★ ***A Public Venue for New Ideas.*** The third track involves public hearings, which allow the full Commission to hear testimony and discuss the issues with witnesses – including some of the nation's foremost experts and officials directly responsible for the performance of existing programs. The hearings are frequently conducted in the state Capitol and provide an opportunity to inform lawmakers and their staff. For the reports published during the 1997-98 period, the Commission conducted 14 hearings involving testimony from more than 100 witnesses.

This process efficiently yields valuable information that is used by the Commission during their deliberations. The recommendations are the product and the responsibility of the Commissioners themselves.

Commissioner
Gwen Moore

Gwen Moore (D-Los Angeles) was first appointed as a legislative member to the Little Hoover Commission by Assembly Speaker Willie L. Brown Jr. in October 1984. She was appointed as a public member by Brown in May 1995. She is the founder and Chief Executive Officer of GeM Communications Group. She was a member of the California State Assembly from 1978 to 1994.

Commissioner
Angie Papadakis

Angie Papadakis (R-Rancho Palos Verdes) was appointed to the Little Hoover Commission by Governor George Deukmejian in August 1990, and has been reappointed twice by Governor Pete Wilson. She was president of Papadakis Advertising. She is an author, a lecturer, humorist, wife, mother and grandmother. She serves on the California-Nevada Super Speed Train Commission. She previously served on the California State Board of Education, the Los Angeles County Board of Education and the Los Angeles County Department of Social Services Commission.



Commission on Maladies & Prescriptions

In the course of its reviews, the Little Hoover Commission has come across a number of common maladies that thwart policy makers and program managers from accurately assessing the performance of current efforts, crafting reforms and assessing progress. The maladies elicit some universal prescriptions that could be valuable to programs throughout the State:

- ★ ***Gather meaningful data.*** It is difficult and even dangerous to respond to public needs that are not clearly understood. Inadequate and inaccurate information can doom public programs from the start. It also is hard to hold people accountable, hard to establish priorities, hard to allocate resources and hard to assess innovations without a quantitative basis for making those decisions. Too often fundamental public decisions are based on anecdotes, headlines or philosophical beliefs, rather than accurate and comprehensive data. Too often data are only gathered to assess regulatory compliance rather than performance.
- ★ ***Invest in independent evaluation.*** Meaningful data can allow – but is not a substitute for – honest evaluations of public programs. The State routinely continues or abandons old programs, initiates and expands new ones without drawing on the expertise that can provide thoughtful information for making such decisions. Rigorous and independent evaluation of public programs is too often considered an unaffordable luxury – yet millions of dollars are spent or lost because of uninformed decision-making. Moreover, reliable information can provide the common ground needed to forge compromise out of controversy and progress out of stalemate.

*Senator
John Vasconcellos*

Senator John Vasconcellos (D-Santa Clara) was appointed to the Little Hoover Commission by the Senate Rules Committee in February 1997. He was elected to the State Senate in 1996 after representing Santa Clara County and Silicon Valley in the California State Assembly for 30 years. He chairs the Senate Public Safety Committee and the Select Committee on Economic Development. He founded the California Task Force to Promote Self-Esteem and Personal and Social Responsibility, and he chaired the Assembly Democratic Economic Prosperity Team (ADEPT), designing California's economic recovery.

*Commissioner
Sean Walsh*

Sean Walsh (R-Sacramento) was appointed to the Little Hoover Commission by Governor Pete Wilson in January 1999. He served as Deputy Chief of Staff and Press Secretary for Governor Wilson from 1995 to 1999, and as Director of Governor Wilson's Crime Summit from 1993 to 1994. He also served as Assistant Press Secretary and Director of Press Office Operations for President George Bush from 1989 to 1993.



★ ***Coordinate State Actions.*** The purpose of the agency structure of government is to coordinate efforts among state departments. State government, like other public and private organizations, should routinely realign that structure to better accomplish the public's business. But it is harder to structurally change public organizations than private ones, and for that reason, the State also needs to concentrate on meaningful and effective ways to coordinate the efforts of individual programs and departments. The State needs to develop the mechanisms to quickly assemble its best talent to assess problems and craft responses and to resolve the frequent conflicts among government agencies and between public policies.

★ ***Rethink state-local relationships.*** For the last two decades, California has experienced an erosion of the fiscal and functional relationships between the State and local governments. Numerous analysts have offered proposals for rebuilding the organizational structure and the fiscal relationship between state agencies and their street-level counterparts. Until fundamental reforms can be agreed upon, the State and its local partners need to concentrate on the relationship on a policy-by-policy basis. United around a shared concern for a specific population or purpose, professionals should be able to clarify their roles and responsibilities, provide for meaningful oversight and accountability, and allocate resources and align incentives to deliver desired outcomes.

Commissioner
Stanley R. Zax

Stanley R. Zax (I-Beverly Hills) was appointed to the Little Hoover Commission by the Senate Rules Committee in March 1994, and reappointed in January 1998. He is the chairman and president of Zenith Insurance Company.



Successfully Improving Government

Many of the Commission's recommendations take years to be implemented. In nearly all cases, the Commission is not alone in its advocacy for a given reform, and acknowledges and appreciates the efforts by those who share its ambition for efficient and effective government.

While some of the Commission's recommendations require legislation, others can be implemented administratively. The legislative section of this report provides a complete listing of bills formally supported by the Commission during the 1997-98 session. The following is a highlight of some of the Commission's successes during that time frame.

- ★ **Crime and Prisons.** As part of the 1998-99 budget, the Governor and the Legislature took a major step toward implementing some of the Commission's recommendations in its 1998 report *Beyond Bars: Correctional Reforms to Lower Prison Costs and Reduce Crime*. The capacity of the prison system was expanded in a way that increased drug treatment and educational programs proven to reduce future crimes by inmates once they are released. Similarly, cost-effective services to parolees were expanded, increasing the opportunities for felons to successfully reintegrate into society and not return to overcrowded prisons.
- ★ **Education.** The Legislature in 1998 enacted significant legislation to expand the use of charter schools and to increase their independence. In its 1996 report, *The Charter Movement: Education Reform School by School*, the Commission advocated that the experiment in locally controlled education be expanded and fortified to provide a true test of the concept in California.
- ★ **Property Management.** In a 1995 report, the Commission advised the Department of General Services to reorganize its property management units to improve the service it provides client state agencies, as well as its management of state assets. In 1998, the director of DGS testified that in response to the Commission's recommendations, the department had reorganized its real estate unit to eliminate redundancy, streamline procedures, and improve communication and planning.

Former Commissioners Who Served During the 1997-98 Session

Nathan Shape II (D-Beverly Hills) was appointed to the Commission by the Senate Rules Committee in September 1968, and served until July 1997. He is the Chairman of the Board of Directors and Chief Executive Officer of Shape II Industries, Inc. He was Chairman of the Little Hoover Commission from 1976 to 1994.

Charles G. Bakaly, Jr. (R-Pasadena) was appointed to the Commission by Governor Pete Wilson in July 1994, and served until January 1998. He is a retired senior partner in the law firm of O'Melveny & Myers, and is currently an attorney-mediator with the Bakaly & Friedman Mediation Dispute Resolution Group.

Marjorie M. Berte (R-San Francisco) was appointed to the Commission by Governor Pete Wilson in July 1998, and served until September 1998. She is Vice President for Underwriting and Policyholder Services with the California State Automobile Association (AAA), and the former director of the State Department of Consumer Affairs from January 1995 to March 1998.

Fler A. Gherini, Jr. (R-Santa Barbara) was appointed to the Commission by Governor Pete Wilson in July 1994, and served until March 1998. He is president of Cow Hollow Investment Company and Waterfall Communications Company, and owner of GSB Marketing and Public Relations.

Senator Quentin L. Kopp (I-San Francisco) was appointed to the Commission in March 1997 by the Senate Rules Committee, and served until his Senate term ended in December 1998. He was elected to the State Senate in November 1986, and chaired the Senate Transportation Committee.

Assemblymember Diane Martinez (D-Los Angeles) was appointed to the Commission by Assembly Speaker Cruz Bustamante in February 1997, and served until March 1998. She was elected to the Assembly in 1992. She served as Chair of the Utilities and Commerce Committee and the Committee on Elections, Reapportionment and Constitutional Amendments.

Assemblymember Charles Roachigian (R-Fresno) was appointed to the Commission by Speaker Curt Pringle in March 1996, and reappointed by Assembly Speaker Cruz Bustamante in November 1997. He served until his Assembly term ended in December 1998. He was elected to the State Assembly in 1994, and served as a member of the Assembly Appropriations, Transportation, and Revenue & Taxation Committees.



- ★ **Long-Term Care.** Policy makers have become increasingly concerned about the public programs to fund and regulate the providers of long-term care. The Commission's 1996 report, *Long-Term Care: Providing Compassion Without Confusion*, was well received by policy makers and advocates and spurred a number of successful legislative reforms. Among them: stiffer penalties for violating regulations, planning for the consolidation of licensing responsibilities, and improved training for facility staff.
- ★ **School Facilities.** In 1992, the Commission's report, *No Room for Johnny* chronicled the complexities and additional costs of securing state funding and approval for local school facilities. The Commission advocated a streamlined, consolidated and accelerated process for state review. In 1998, as part of the Commission's ongoing work on school facilities, the Department of General Services reported that the approval and oversight process had been reengineered, reducing the number of forms necessary to receive state funding from 26 to four.
- ★ **Utilities and Energy.** In June 1998, the Governor signed into law a new energy policy for the State that calls for consolidating the permitting of major electrical facilities into a single state agency. The goal is consistent with the Little Hoover Commission's conclusions in the 1996 report, *When Consumers Have Choices: The State's Role in Competitive Utility Markets*. In September 1998 the Governor signed into law SB 779 (Calderon), which extends the same judicial review that exists for most state regulators to include decisions by the Public Utilities Commission. The Commission recommended that reform as an essential check on the procedural integrity of PUC decisions.

